BEFORE THE
POSTAL REGULATORY COMMISSION

Periodic Reporting **(UPS Proposals One, Two, and Three)**	: : : : :	**Docket No. RM2016-2**

MOTION OF UNITED PARCEL SERVICE, INC. FOR
ISSUANCE OF INFORMATION REQUEST TO
UNITED STATES POSTAL SERVICE

February 19, 2016

In response to UPS's Proposals in this docket, Professor Michael D. Bradley, on behalf of the Postal Service, has put forward calculations of the Postal Service's total inframarginal costs that differ from those put forward by Dr. Kevin Neels, on behalf of UPS. *See* Dkt. No. RM2016-2, *Analysis of UPS Proposals One and Two, and the Supporting Report of Dr. Kevin Neels* at 35-37 (Jan. 27, 2016). Specifically, Dr. Bradley asserts that, rather than the $13.4 billion inframarginal costs calculated by Dr. Neels, the "correctly calculated value" is $10.8 billion. *Id.* at 37.

It appears that at least some of this difference is the result of Dr. Bradley classifying certain cost components differently from Dr. Neels. The reasons for these different classifications, however, are unclear. The attached questions seek to gain clarity about Dr. Bradley's methodology. These questions will advance the correct calculation of inframarginal costs and will also help identify any specific points of disagreement between Dr. Neels and Dr. Bradley. These questions are, therefore, directly relevant to the issues being considered in this docket. Accordingly, UPS respectfully requests that this motion for issuance of an information request be granted.

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Finally, UPS notes that the proposed questions reference an Exhibit A, which is a chart identifying the classification of certain cost components. With respect to this information, the Postal Service has authorized UPS to state the following: "Although the information herein is developed from nonpublic files, the Postal Service has been consulted and agrees that this specific information is not commercially sensitive and may be publicly disclosed."

Respectfully submitted,

UNITED PARCEL SERVICE, INC.,

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PROPOSED QUESTIONS:

1. Please refer to the attached table (Exhibit A). To the best of UPS's understanding, Column [1] displays the categorization used by Dr. Bradley in USPS-RM2016-2/NP1, while Columns [2] and [3] displays the treatment applied in the NP10 library reference as filed in the FY2014 and FY2015 ACR dockets, respectively.

    a. Please confirm that the table is accurate.

    b. To the extent the table is inaccurate, please describe those inaccuracies and provide corrections where needed.

2. The table in Exhibit A identifies 10 components where the categorization or treatment of a cost component used by Dr. Bradley in the calculations provided in USPS-RM2016-2/NP-1 differ from that used in the ACR filing for the same year (FY2014). Please explain the rationale for each such departure.

    a. Component 48

    b. Component 126

    c. Component 168

    d. Component 195

    e. Component 202

    f. Component 531

    g. Component 1697

    h. Component 1726

    i. Component 1727

    j. Component 1735

k. To the extent the answer to Question 1 reveals any further component(s) whose treatment differs between Dr. Bradley's calculations in USPS-RM2016-2/NP1 and those provided by the Postal Service in the 2014 ACR docket, please explain the reason for this departure.

3. Please refer to USPS-FY14-NP10 "Competitive Product Incremental and Group Specific Costs".

a. In this library reference, there is an Incremental Cost control file (IC2014.cntl.xls). Please provide the Incremental Cost control file used by Dr. Bradley in performing the calculations whose output was provided in USPS-RM2016-2/NP1.

b. This library reference also contains a "Cost Pools" file (ICForFiling\ICForFiling\Documentation\CostPoolsFY2014.xls). Please confirm that, in the course of performing the calculations whose output was provided in USPS-RM2016-2/NP1, Dr. Bradley used the same version of the input file provided in the FY14-NP10 library reference.

c. If (b) is not confirmed in the affirmative, please provide the "Cost Pools" file used by Dr. Bradley.